

Our performance

Postal Services

Providing trusted services and solutions across our physical and digital network to offer customers more convenience, choice and reliability.

Highlights

- Launching the MyPost Concession Account with more than 830,000 registrations in the first few months
- Signing on 27 new MyPost Digital Mailbox providers
- Introducing 1,871 Honda NBC110 motorcycles to our delivery fleet, which are 60 per cent more fuel efficient and have improved safety features

Challenges

- Continuing to meet our community service obligations while managing declining customer demand for our letters service
- Managing the decline in retail foot traffic driven by digital substitution

Outlook

- Extending mail delivery options to consumers by giving them a choice between two delivery speeds
- Offering improved customer access and convenience through Saturday trading and parcel delivery, as well as adding more digital services



Australia Post is proud of our unrivalled post office and delivery network. Our 4,417 stores cover the length and breadth of the country, with 2,560 of these located in rural and remote areas. We have 740 corporate post offices, 2,886 licensed post offices, 29 franchises and 762 community postal agencies providing essential products and services.

We maintain 15,805 Street Posting Boxes, which provide the community with convenient access to mail lodgement points. Through our delivery network we reach 11.3 million delivery points nationally, with 98.8 per cent of these receiving letter delivery five days a week.

The shift in customer behaviour towards faster, cheaper and more convenient communication and transactions is driving the evolution of our postal services business. With businesses and consumers relying less on physical letter options, it is vital that we transform our letters and retail businesses to give customers access to a greater range of valued and essential services, more choice about how they transact with us and added options to conveniently send and receive mail.

Australia Post plays an important role in helping communities across Australia. Community research conducted in January 2014 on Australia Post services

indicated that people who live in regional and remote areas in particular, regard our services as essential to the connection, vibrancy and viability of their communities.

At Australia Post, we are committed to maintaining our strong physical presence in communities and providing modern postal services that meet the contemporary needs of Australians.

Building a sustainable letters business

Much of our focus in 2013–14 was on implementing changes to secure the sustainability of our highly regulated mail services business, which incurred a loss of \$328.4 million (up from \$285.1 million in 2013). This is the fourth consecutive year we've returned a negative result, despite implementing a series of successful efficiency and cost-reduction initiatives under our Future Ready program.

The deteriorating and unsustainable financial position of our letters business is due to the combination of falling mail volumes and the fixed operating costs that are imposed by the existing regulatory framework for letters, particularly our Community Service Obligations (CSOs) and the prescribed performance standards. As the Australian population grows, so too does our delivery network, by an average of 130,000 addresses each year.

This year the cost of meeting our CSOs is estimated to be \$203.5 million, up from \$173.9 million last year. More information on our CSOs is provided on page 123.

The decline in Australian letter volumes is accelerating and all of our forecasts and international comparisons show that the demand for physical letters will continue to fall. We are now forecasting that by 2020 we could be delivering a quarter of the volumes that we were delivering in 2008, when Australian letter volumes peaked.

Five-year trend data – domestic reserved letters service

Year	CSO cost (\$ million)	EBIT (\$ million)		Volume change (%)
		Annual	Cumulative	
2010	\$147.7	-\$250.1	-\$250.1	3.9 -5.3%
2011	\$144.7	-\$66.5	-\$316.6	3.7 -3.6%
2012	\$165.9	-\$114.4	-\$431.0	3.5 -5.2%
2013	\$173.9	-\$198.0	-\$629.0	3.3 -6.8%
2014	\$203.5	-\$242.6	-\$871.6	3.2 -4.0%¹

1 2014 includes the benefit of the 2013 Federal Election

While this volume decline has significantly impacted the viability of our letters business, there are still segments of the community that remain heavily reliant on our core services to communicate and connect. Our challenge is to ensure that our letters business is set up to provide the flexibility and scalability we need to continue to adapt to changing customer preferences.

Increasing the basic postage rate

On 31 March we increased the basic postage rate (BPR) to 70 cents, which helped to partially offset the financial impact of the decline in letter volumes.



As part of our commitment to providing an affordable and accessible letters service, this year we launched the MyPost Concession Account (see page 9 for more details). This entitles 5.7 million federal government concession card holders to purchase basic stamps at the concessional rate of 60 cents.

Responding to customer demand for greater choice

This year we made some important changes to our business letter products (which comprise around 83.5 per cent of all addressed letter volumes) to provide businesses and government agencies with greater choice and flexibility for how they send information to their customers.

The changes included improvements to our delivery timetable for Regular mail (which was formerly called Surface mail) to provide senders with more consistent delivery times.

We also extended our Priority and Regular timetables to a broader range of business letter products to provide customers with choice of delivery speed. The Regular timetable allows one to two days more than the Priority timetable. Previously, choice of delivery speed was only available for PreSort letters.

This new offering has been very well received by both business and government customers. As at 30 June, 60 per cent of total addressed business letter volumes were delivered using the slower Regular timetable, up from around 14 per cent for the same period last year.

These service changes will impact how we configure our future mail operations as more of our customers migrate to the Regular delivery timetable. We are committed to working closely with our people as we implement changes to our operations in the future.

Optimising our letter processing network

We are always seeking to run our mail network as efficiently as possible while meeting the needs and expectations of businesses and the community.

In March we implemented an initiative to help optimise our letter processing network. The Sustainable Regional Mail program involved diverting the processing of non-local mail from smaller regional facilities in New South Wales and Victoria to our larger, more efficient sites that use advanced automation equipment. Importantly, we were able to achieve productivity gains and still meet our prescribed performance standards for delivery (see page 123 for more details on these standards).

We will continue to look for further opportunities to improve the efficiency of our mail processing sites, including installing next-generation automated mail-sorting equipment, which is slated for 2016.

Building capability in our delivery network

We're investing significantly in the capability of our delivery network to enable posties to deliver more than just letters.

During the financial year we completed the rollout of handheld parcel scanning devices across our delivery network as part of a broader investment in our parcel delivery capability. We now have more than 11,000 scanners across our national delivery network so that posties can deliver small parcels that require tracking and signature-on-delivery. Prior to this change, parcel contractors delivered all of our parcels. Today, our posties deliver more than 25 per cent of our total parcel volumes.



Fresh approaches in motorcycle delivery

As part of our commitment to continual improvement, in May 2014 we refreshed our motorcycle training program for our 6,000-plus motorcycle posties.

While practical riding skills is a key element, an intensive Mindset workshop was introduced to help posties understand the everyday risks they face – such as reversing cars, unrestrained dogs and swooping birds – and how to control them.

Safe Delivery compliance training on Australia Post policies and procedures (originally a paper-based training module) was redesigned as a multimedia program to deliver the content in a dynamic and engaging way. Safe Delivery won the Platinum Award for Best eLearning Model (Bespoke) at the LearnX 2014 Simply the Best eLearning Australia/Asia Pacific Awards in May.

With safety and fuel efficiency in mind, we also introduced 1,871 new Honda NBC110s to our delivery network (that's 14 per cent of our total motorcycle fleet).

The new bikes are 60 per cent more fuel efficient than the old models and have a number of improved safety features like plastic leg guards, improved manoeuvrability and brighter indicators. We will progressively replace the entire fleet as old models are decommissioned.

By diverting small parcels through our delivery network we're investing in the sustainability of our postie workforce. We're also adding value for our customers as we can capture more scan events and provide additional tracking information during delivery.

Multi-channel communications platforms

The shift to digital communications means both businesses and consumers expect a choice of physical and electronic channels. Our focus is on providing an efficient and cost-effective service so that our customers can select the physical and digital communication options that suit them best.

MyPost Digital Mailbox

MyPost Digital Mailbox (formerly named Australia Post Digital Mailbox) is a secure online platform that continues our tradition of providing trusted communications for Australians. The MyPost Digital Mailbox gives businesses and government agencies a secure way to connect to their customers. Consumers use it as a mobile payment and storage solution enabling them to receive and pay bills and archive important documents.

During the year we expanded the number of providers who signed on to use the Digital Mailbox to communicate with their customers. We now have 30 providers on-board – including Australia's largest water authority, Sydney Water and Australia's largest council, Brisbane City Council. Our newest partners, Westpac and Velocity Frequent Flyer, will be active in 2014–15.

In June we undertook an unaddressed mail campaign to 7.8 million households to promote Australia Post's new MyPost Concession Account (see page 9 for more details) as well as the free MyPost Digital Mailbox. The combined efforts of this campaign, along with other marketing and promotional activities, contributed to a 72 per cent spike in membership registrations in June.

We will continue expanding the overall value proposition of MyPost Digital Mailbox by extending its services to include parcel tracking, warranty receipts on behalf of retailers and change of address notification.

Multi-channel marketing

We work closely with businesses of all sizes to plan and deliver targeted, cost-effective and multi-channel direct marketing solutions. Catalogues, flyers and promotional mail remain some of the most effective channels to acquire and retain customers, according to an October 2013 consumer study of advertising preferences undertaken with the Association for Data-driven Marketing and Advertising (ADMA).

Through our data services, such as our National Change of Address service and the Australian Lifestyle Survey, we help businesses target, reach, acquire and retain customers based on a target profile or demographic. Our multi-channel communication platform and high-speed digital print technology mean we can produce personalised, high-impact and high-volume direct mail pieces via physical mail, email, SMS and MyPost Digital Mailbox channels.

Our focus this year has been on migrating customers to our multi-channel communications solution and demonstrating the value of promotional mail as a key element of their multi-channel marketing strategies.

Helping businesses manage their inbound communications

Decipha is a wholly owned subsidiary of Australia Post that helps medium-to-large companies manage their incoming information. Business solutions range from simple mailroom management to digital services that capture, process and deliver information to clients without the need for further processing. Decipha plays an important role in helping customers to transition to digital information management systems.

A strategic priority for Decipha is data security and privacy. During the year, we were again awarded accreditation with the global Payment Card Industry Data Security Standard (PCI DSS). Decipha is an Accredited Supplier under the Queensland Government Information Technology Contracting (GITC) Panel.

This year Decipha's revenue increased by 10 per cent, which was driven by new contracts with large businesses and the introduction of products such as scanning and online forms.

Extending our trusted services capability

As a destination for trusted services, our post offices provide access to a wide range of products and services on behalf of over 750 businesses and government agencies, from identity services such as passports and tax file number applications through to financial services including banking and bill payment.

In line with the decline in letter volumes, retail foot traffic fell by 5.0 per cent in 2013–14 as more and more customers made the switch to digital channels to manage their daily lives.

In response, we are extending the range of trusted services we offer in-store and online, launching new innovative products to expand our customer base and support our customers to transact securely online.

Our Retail Services division earned a profit of \$175.6 million for 2013–14, down 1.3 per cent on last year. Digital substitution and declining foot traffic resulted in reduced revenue for our traditional products such as bill payments and banking. Strong growth in our trusted and ID services did not quite offset this, despite good cost management overall.

Financial, identity and commercial services

Our investment in new trusted services initiatives was a significant contributor to overall revenue growth in this portfolio in 2013–14.

Our suite of travel solutions continued to deliver strong returns, supported by the Travel Essentials marketing campaign, which generated a sales uplift across all of our travel offerings. Our growth in this segment means Australia Post has become a one-stop shop for travel-related services – passport applications, travel insurance, travel cards, foreign exchange, pre-paid travel SIM cards and other travel merchandise.

We also added a range of new identity services to our in-store offer including the Keypass identity card (see page 26) and extending the tax file number services we offer for



Blending physical and digital channels improves convenience

Multi-channel services offer customers more choice about how they complete their transactions with Australia Post. We offer customers a wide range of services through multiple channels – from online ordering capability through our Postcard mobile app to send postcards physically, through to more complex transactions such as completing government application forms online before printing and lodging them at a post office.

This year we extended our multi-channel offering to include domestic money ordering. These can now be purchased online and emailed to the recipient. Customers can then either deposit the funds directly into a bank account or exchange the money order for cash at a post office.

We also improved the functionality of the Australia Post website (auspost.com.au) to make it easier for customers to shop online. This included launching a new travel services portal in January.

Initiatives like these support our strategic direction to become a multi-channel service provider, offering customers greater choice and convenience about when and how they interact and transact with us, in person and online.

the Australian Taxation Office. A number of new services were added or extended on behalf of government agencies including identification checks for the Land Titles Office in South Australia.

We also built on the success of the Australia Post Load&Go Reloadable Visa Prepaid Card and multi-currency Travel Card, adding two new Load&Go Gift Cards for consumers and businesses.

In June 2014, we extended our partnership with UnionPay International, the world's largest card organisation. We will issue Australia's first UnionPay multi-currency travel card by the end of 2014. While Chinese citizens and inbound tourists can already use their UnionPay card to purchase products and services at more than 3,300 post offices across the country, the new UnionPay Load&Go travel card will support the significant number of Australians travelling to China for business and leisure.

Merchandise services

Challenging retail conditions and declining foot traffic continued to impact the overall performance of the Merchandise Services portfolio, with revenue flat compared to last year. The Post Office Box peak occupancy rate remained steady at 84.5 per cent while philatelic sales grew 1.4 per cent.

Our philatelic team continued to create a program of innovative stamp releases to mark important historic and cultural milestones. These included the Australian cricket team's Ashes victory, Royal Baby Christening and Royal Visit, Legends of Australian Cooking (pictured), the Lunar Year of the Horse, ANZAC and Red Cross Centenary.

The confectionery program continued to expand this year with revenue up 26 per cent. We now supply confectionery in more than 1,900 stores. More than 1,200 licensed post offices participate in the program (up from 555 last year) and are benefiting from a new product line to drive revenue in their stores.



Capturing the youth market

Our first marketing campaign aimed at young Australians was launched in February to build awareness of Australia Post as a destination for "youth-related" products and services.

The Declare Your Independence campaign, targeted at 14–24 year-olds and their parents, included television commercials and digital advertising to show how Australia Post products and services can help young people take the next step to adulthood.

With more than six million people in this customer segment, it was an ideal opportunity to build awareness of Australia Post as a destination for trusted financial, identity and government solutions – including tax file numbers, passports, travel and payment products.

The campaign featured the Keypass photo identity card, which is ideal for young people who don't have a driver's licence, and our Load&Go Visa Prepaid card, which enables young Australians to shop securely online.

In line with our environmental policy, Australia Post considers the environment when we procure products and services to ensure they are delivered in an ethically responsible way.

Reimagining today's post office

As we continue to modernise our post offices it's important that we have the capability to help our customers complete more complex and specialised transactions.

Technology is a key component, ranging from self-service terminals and extended identity services capability to in-store iPads and digital display screens. We are investing in new in-store technology and store formats to provide customers with greater access, convenience and choice and help them bridge the divide between physical and online shopping.

Giving customers better access to services

Our customers have made it clear that they're looking for greater flexibility, particularly around how they receive or collect parcels. To meet their needs, this year we continued to invest in extending the availability of parcel lockers. We now have 24/7 Parcel Lockers at 181 locations across the country, in addition to the 150 stores that have dedicated parcel lockers for Post Office Box customers.

We also continued to invest in our retail superstore network, taking the total number of stores to 48. Superstores provide access to Australia Post's full suite of postal products and services. They feature a number of key zones, such as online shopping, self-service, travel and a 24/7 area providing access to parcel lockers, postage vending machines, an ATM and self-service terminals. Of the 48 superstores across Australia, 11 of these are located in rural and regional areas.

Modernising our infrastructure

As we expand our suite of trusted services for customers, it is important that we invest in our retail infrastructure so that these transactions can be managed efficiently in-store.

This year we equipped our post office network with new Electronic Point of Sale (EPOS) counter terminals, label printers, receipt printers, barcode scanners, cheque readers and cash drawers specifically designed for use in a modern retail environment. In addition, we rolled out over 5,000 handheld devices across our post office network (capable of scanning domestic and international parcels, barcoded letters and Express Post products). Digital camera services with email capability are now available at more than 800 post offices, with extended identity services now offered at 467 post offices.

Investing in our Licensed Post Office network

Representing two-thirds of our post office network, LPOs play a vital role in connecting communities and providing access to important services, especially in rural and remote locations where often other service providers do not have a physical presence.

In recognition of the shared challenges LPOs are facing due to declining letter volumes and retail foot traffic, earlier this year we made a commitment to investigate options to assist licensees. This approach was confirmed through the course of a Senate Inquiry and in consultation with the groups that represent licensees.

In mid-June we announced the rural sustainability package, which includes a range of financial and technology measures. These include increases to minimum payment allowances, contractor accommodation fees and representational allowances, and the removal of the EPOS shortfall fee.

These measures apply to all licensees and are being implemented in addition to the changes already made this year, such as the introduction of additional scan payments for trackable articles, a 16.7 per cent increase in delivery payments related to the increase in the BPR and pre-payment for PO Box renewals. We will continue to look for additional initiatives to support our licensees.

The rural sustainability package also includes the opportunity for around 400 LPOs in rural or remote areas (who aren't connected to our electronic network) to take up Australia Post's flexible Point-of-Sale technology, FlexiPOS. The installation of FlexiPOS will enable these LPOs to offer additional services such as payment by card and conduct banking services on behalf of Australia Post's 70 agency banking partners. Licensees who take up this opportunity will benefit from a broader revenue stream, faster processing of customer transactions and easier end-of-day reconciliations.



New Sprintpak facility

In August 2013, we officially opened our new Sprintpak facility in Rowville, Victoria.

Sprintpak is responsible for the production and distribution of many of our core products, including philatelic (stamps) and Express Post envelopes.

The new facility features leading-edge design that will deliver improved efficiencies, create capacity for product growth and, most importantly, provide a healthy and inclusive work environment for our people.